Economic Roles and Actions

Question 1.
Which of the following is an example of a business taking a risk?
- A. opening a new store in a new city
- B. buying new furniture the office
- C. adding information to the company website
- D. emailing a newsletter to customers

Question 2.
The Panama Canal was recently modified to allow much bigger ships to pass through it. How will this improvement promote economic activity?
- A. Increased use of the Panama Canal will allow European countries to pay less for imported oil.
- B. Less expensive transportation costs will increase international trade among many countries.
- C. Increased use of the Panama Canal will allow South American countries to raise export prices.
- D. Less expensive transportation costs will force smaller countries to produce fewer goods.

Question 3.
In the U.S. economy, the main function of private businesses is to
- A. produce goods and services.
- B. provide cheap products for consumers.
- C. consume goods and services.
- D. provide taxes to the government.
Question 4.

Assembly line at the Ford Motor Company's Highland Park plant, 1913

Image courtesy of the Library of Congress

How did Henry Ford's use of the process shown in the photograph reduce the price of automobiles?

- A. by reducing factory sizes
- B. by using a low-paid immigrant workforce
- C. by using workers to focus on specialized tasks
- D. by using low-quality parts

Question 5.

During World War II, many things were rationed. Special cards were used to limit the amount of a product people could buy. Sugar, meat, cheese, butter, cooking oil, jam and margarine were all rationed. If a person wanted to bake a cake using sugar and also wanted to serve bacon for breakfast, they would have to make a decision about which food they wanted most.

If a person decided to use their ration cards for bacon, the cake would become

- A. a production cost.
- B. a capital resource.
- C. an opportunity cost.
- D. an alternative tax.

Question 6.

In the U.S. economy, banks provide customers

- A. a way to earn money without paying taxes.
- B. checking and savings accounts.
- C. an easy way to trade stocks and bonds.
- D. public goods such as roads and parks.
Question 7.

At the end of the Civil War in 1865, the growth of the meat packing industry in Chicago created a large demand for beef. However, the cattle first had to be driven from Texas to towns that had railroads. This was a distance of hundreds of miles. What made people decide to participate in these dangerous cattle drives?

- A. increased quality of beef
- B. increased beef prices
- C. new ways to cook beef
- D. new ways to preserve beef

Question 8.

The main reason that the government collects taxes is to pay for things like

- A. new furniture.
- B. houses and cars.
- C. new businesses.
- D. roads and bridges.

Question 9.

The chocolate doughnuts at Tara’s doughnut shop are so popular that customers are offering to pay double for them. To keep her customers happy, Tara will most likely

- A. stop making chocolate doughnuts.
- B. lower the price of chocolate doughnuts.
- C. decrease the number of chocolate doughnuts she makes.
- D. increase the number of chocolate doughnuts she makes.

Question 10.

Barbara works at a mall near her house for a shop that sells clothes. She works 40 hours a week and is paid by the hour. Barbara is earning income by

- A. collecting money from the government.
- B. selling her labor to a private business.
- C. making money from an investment.
- D. selling her possessions to other people.
Answers

1. A
2. B
3. A
4. C
5. C
6. B
7. B
8. D
9. D
10. B
Explanations

1. Businesses take many risks. Businesses make choices based on their ability to make money. A business might own several successful stores in one city. The success of these stores might lead the business to believe that it could make money in another city as well. Opening a new store in a new city is one example of how business take risks.

2. The Panama Canal was recently improved to allow much larger ships to use it. Since each large ship can carry more goods, transportation costs will decrease. Less expensive transportation costs will increase international trade among many countries.

3. In the U.S. economic system, the main function of private businesses is to produce goods and services. Private businesses provide the products that are consumed by households.

4. Henry Ford began to use an assembly line to build cars in 1913. This allowed each worker to focus on a specialized task. The use of job specialization allowed the automobiles to be produced at a lower cost.

5. A person faced with rationing during World War II could not get everything they wanted. If a person made a decision to give up baking a cake so that they could have bacon for breakfast, the cake would become an opportunity cost. An opportunity cost is the value lost by rejecting one use of resources in favor of another.

6. Consumers mainly rely on banks to provide checking and savings accounts. People can leave their money in a bank to use in the future, to send money to other people using checks, or to earn interest on savings accounts. These are just a few of the services that banks provide.

7. Price incentives often affect people's behavior and the choices they make. People made the decision to go on long, dangerous cattle drives because of increased beef prices after the Civil War. The fact that they could make large amounts of money caused them to make a choice that they normally might not have made.

8. The main reason that the government collects taxes is to pay for things like roads and bridges. The government uses tax money to provide public goods and services.

9. Supply is directly related to demand. Tara's chocolate doughnuts are in high demand. Tara will most likely increase the number of chocolate doughnuts she makes to keep her customers happy.

10. Barbara is getting paid for by the shop every hour that she works. This means that she is earning income by selling her labor to a private business.